

**\*PLEASE NOTE: Since the Glendale City Council does not take formal action at the Workshops, Workshop minutes are not approved by the City Council.**

**MINUTES  
CITY OF GLENDALE  
CITY COUNCIL WORKSHOP  
April 10, 2007  
1:30 a.m.**

**PRESENT:** Mayor Elaine M. Scruggs, Vice Mayor Manuel D. Martinez, and Councilmembers Joyce V. Clark, Steven E. Frate, David M. Goulet, Yvonne J. Knaack, and H. Phillip Lieberman

**ALSO PRESENT:** Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

**1. FISCAL YEAR 2007-08 BUDGET: 3<sup>RD</sup> WORKSHOP**

CITY STAFF PRESENTING THIS ITEM: Ms. Sherry Schurhammer, Management and Budget Director, Mr. Art Lynch, Deputy City Manager for Administrative Services. Fire Chief Mark Burdick and Police Chief Steven Conrad spoke. Ms. Pam Kavanaugh, Assistant City Manager spoke.

At the April 3, 2007, budget workshop, the Council requested staff to present information on questions related to the public safety sales tax, the secondary property tax rate, and the capital improvement program at the April 10, 2007, budget workshop. In addition, the Council will be presented with the recommended Fiscal Year (FY) 2007-08 budget requests for total compensation.

The Council is also being asked to provide staff guidance on a balanced budget for FY 2007-08, using either budget scenario 1 or budget scenario 2 for the FY 2007-08 operating budget as published in the Council budget workbook that was distributed to Council on March 14, 2007.

Also staff is requesting guidance from the Council on whether to approve the Preliminary FY 2008-17 Capital Improvement Plan (CIP).

This item incorporates the Council's strategic goals and key objectives while ensuring the city's financial stability by presenting realistic analyses about the provision of city services and future revenue expectations.

The total compensation material to be discussed is included in the budget workbook on pages 9 through 14.

The preliminary FY 2008-17 Capital Improvement Plan (CIP) presented to Council, is balanced based on a secondary property tax rate decrease of approximately 7.5 cents. When combined with the approximate 2.5-cent decrease proposed for the primary property tax rate, the city's total property tax rate would decrease by 10 cents effective July 1, 2007. The preliminary FY 2008-17 CIP includes the pay-as-you-go (PAYGO) program.

The second budget workshop occurred on April 3, 2007. These budget discussions included follow up to questions from the March 27, 2007, budget workshop, the 10-year capital improvement program, and supplemental requests related to stadium activities.

The first budget workshop occurred on March 27, 2007. These budget discussions included the two budget scenarios for the General Fund (GF), the GF supplemental requests that could be funded under the two scenarios, and the supplemental requests for the Police and Fire Departments.

The Budget Workbook containing the city manager's recommended budget for FY 2007-08 was delivered to the Mayor and Councilmembers on Wednesday, March 14, 2007. It was posted on the city's webpage for citizens to view on Friday, March 23, 2007.

Glendale's budget is an important financial, planning and public communication tool. It gives residents and businesses a clear and concrete view of the city's direction for public services, operations and capital facilities and equipment. It also provides the community with a better understanding of the city's ongoing needs for stable revenue sources to fund public services, ongoing operations and capital facilities and equipment. The budget provides the Council, residents and businesses with a means to evaluate the city's financial stability.

All budget workshops are open to the public and are posted publicly per state requirements.

Staff is requesting guidance on the recommended operating and capital budgets.

Ms. Sherry Schurhammer, Management and Budget Director, said the presentation would begin with answers to last week's follow-up questions regarding the public safety sales tax. Ms. Schurhammer said the primary purpose of the existing public safety sales tax has been to add personnel, with the secondary purpose being the purchase of essential equipment and other items for the staff to efficiently and effectively do their jobs. This use of funds is assumed to continue under budget scenario two.

She said the second budget scenario was based on a total one-half cent public safety sales tax because it was the rate that generates sufficient ongoing funds to implement the needs assessments for both police and fire over a three or four year period. She noted that a lower rate would stretch the implementation of the needs assessments over

more years. In addition, the one-half cent rate assumes the tax is on all items currently taxed under the existing public safety sales tax, including food purchased at grocery stores. If food were not taxed, then less revenue would be generated, which means the implementation of the needs assessment would stretch over more years. She said only new costs in the fire and police departments would be eligible expenses for revenue from the public safety sales tax adjustment.

Fire Chief Mark Burdick said there had been a wide range of items purchased with revenue from the existing public safety sales tax. He said some of the items were additional staffing, office equipment, training and development, and safety equipment. He noted that Council is provided the supplemental requests for the public safety sales tax funds each year as part of the annual budget process. On January 30<sup>th</sup> of this year, he presented his department's needs assessment that outlined a comprehensive plan detailing the Fire Department's needs. He said funding and operational constraints mean the implementation of the assessment would be spread over three to four years. He said about four years are needed to fully implement the actual plan if the tax rate is increased to a total of one-half cent. He said the first five-year's of the proposed capital plan includes no funding for replacement fire trucks and other large pieces of apparatus.

Vice Mayor Martinez asked Chief Burdick if the Fire Department would be caught up by the fourth year. Chief Burdick said he believed the department would be caught up. He reiterated that the chiefs were charged to provide an assessment based on today's needs; however different needs may occur in the future.

Councilmember Goulet asked if this four-year plan assumed any changes within the city's boundaries, as they currently exist. Chief Burdick said the current city boundaries were assumed to prevail. He said there will always be changing needs with future growth that would require returning to Council for direction. He said he felt confident with the assessment. Councilmember Goulet said it was a good plan.

Councilmember Lieberman arrived at the meeting at 1:45pm.

Mayor Scruggs asked about the two-projected revenue charts provided to Council before the meeting. Ms. Schurhammer explained that you needed to combine numbers from the two different charts to estimate the total amount of revenue to be generated from a one-half of one cent sales tax because one chart is a projection based on food being taxed and the other was based on food not being taxed. She said the charts were prepared in this manner because the existing public safety sales tax is based on food being taxed, whereas Council has discussed excluding food from the proposed four-tenths of one-cent rate. Therefore, for next fiscal year, the existing one-tenth of one-cent rate (food is taxed) is expected to generate \$5.6 million, and the proposed four-tenths of one-cent rate (food is excluded) is expected to generate \$20.25 million (for a combined total of \$25.85 million).

Mayor Scruggs noted that revenue from the existing tax grew each year above the amount budgeted. Ms. Schurhammer said she was correct. She explained that normally staff would bring forth supplementals to allocate the revenue that accrued in excess of the amount budgeted.

Mayor Scruggs said staff had suggested last week that a higher tax rate might be needed if food was not taxed for the proposed four-tenths of one-cent increase. She said the point she was trying to make was that new revenue (above the amount budgeted) comes in each year. Therefore, if food were not taxed, the difference in revenue received probably would be made up with just growth.

Councilmember Clark asked about the rate of growth assumed for the revenue projections. Ms. Schurhammer said an 8% annual growth rate was assumed.

Mayor Scruggs asked Chief Burdick if he had any idea why other cities did not have a dedicated public safety tax and why other cities have a lower overall sales tax rate. Chief Burdick said he had recently attended a seminar with about 30 chiefs from around the state and that five of them told him their cities were in discussions regarding a public safety sales tax. These cities were both large and small.

Mayor Scruggs and Chief Burdick had a discussion on the differences between cities and their challenges related to public safety services. Mayor Scruggs wanted to know why other cities with lower tax rates and no dedicated public safety sales tax were able to still maintain and add public safety features. Chief Burdick said he did not know the actual reasons why, only that each city had its own challenges and some were looking at implementing a dedicated public safety sales tax.

Mayor Scruggs said she was always cautious when talking about raising any taxes. She does not like Glendale having one of the higher sales tax rates. She said her job is to look at all the facts carefully and make informed decisions. She said the power to make decisions to take additional money from the public was tremendous and would have to be done with judicious restraint.

Chief Burdick said he had to identify the needs of his department every day to determine how the available resources would be deployed. He said the needs assessment is responsible and comprehensive and designed to allow the department to provide high quality services.

Councilmember Lieberman said there has been a 70% growth in the city over the past 16 years. He said he would like to see if funding for fire and police also grew 70% over the same time period. He believes funding for public safety did not keep up with the growth of the past 16 years. He said the need to catch up was great.

Councilmember Clark said she read that Maricopa County was the second fastest growing county in the United States. She said she was concerned about both of the fire and police assessments and the tremendous amount of money needed to meet current needs. She said not implementing an increase to the public safety sales tax would put a huge strain on the rest of the city's budget because the funds to address public safety's needs would have to come from somewhere. She said if this tax were approved, it only meets present day needs to be implemented within three to four years.

She said it was critical to take this tax to the citizens for a vote because of the high priority for public safety needs.

Vice Mayor Martinez said he wanted to compliment both chiefs for their comprehensive assessments. He said no one liked taxes but said they do pay for a lot of necessities. He said putting forth the proposed tax increase was something that had to be done with the question being whether to include food in the proposed tax adjustment. He asked Chief Burdick if there would be a huge difference in funding if the food tax was excluded. Chief Burdick said he did not know. He said if the amount of revenue to be generated was less than originally assumed, then it would take longer to implement the needs assessments. Vice Mayor Martinez said he would like to thank staff for providing a second scenario as an option.

Police Chief Steve Conrad said he wanted to differentiate between the needs of the fire and police departments. He said the police department had done a good job assessing its needs for staffing and equipment over the next three years. He said a lot of work and study was put into determining the needs over the next three years. The goal was to determine the staffing and equipment costs of proactive and directed actions that would make the city safer. He said his staff had compiled a comprehensive staffing study on the department's needs today, assuming it would be phased in over a three-year period. He said his assessment also included the cost of equipment for the additional staff requested. He said the study was intended to provide support for the department's other budget requests and noted that the assessment was not intended to address all of the department's budget requests, such as base budget fixes.

Chief Conrad discussed additional needs that required funding outside of staffing and equipment. He said this additional funding was needed for the department to do its job to the best of staff's ability. He said any reductions in the projected revenue from the proposed adjustment to the public safety sales tax would mean delays in the implementation process.

Councilmember Clark thanked Chief Conrad for his presentation. She said the most telling point to his presentation was that it would still take three to four years to meet present day needs should Council decide to approve the proposed public safety sales tax rate increase. She reiterated her support for the tax increase and believes that most of the voting public would as well.

Mayor Scruggs also thanked Chief Conrad for his presentation. She said she regrets he inherited these problems upon coming to the City of Glendale. She said his predecessors provided a very different story about the needs of the Police Department.

Mayor Scruggs asked about the supplemental request related to prisoner maintenance costs at the Maricopa County jail system (page 64). She suggested this request should be covered by the General Fund instead of the public safety sales tax fund for police.

Mayor Scruggs asked about the supplemental request labeled community outreach programs (page 84). She specifically asked about the DARE program and how the

community would benefit from it. Chief Conrad said the plan is to expand the DARE program to reach more children. He said the plan also includes expanding the GREAT program that deals with gang resistance education and training. He talked about operating a magnet school program that would focus on kids from the ninth to twelve grades to teach them about law enforcement. Mayor Scruggs asked if this magnet program would be open to all high schools or only the high school where it would be located. Chief Conrad said it would be only be for that school; however it could draw additional students to that school that wants to take advantage of the program.

Mayor Scruggs asked about the Copper Canyon after school program included in the supplemental request. Chief Conrad said the after school program at Copper Canyon was a way for kids to be involved in positive activities after school instead of getting into trouble. He said the program adds value to the entire community. Mayor Scruggs asked why it was not being done at other schools. Chief Conrad said other schools had not approached him about doing a similar program at their site. He said

Councilmember Clark spoke about the six school resource officers who were once assigned to Glendale schools. She said if the school districts really saw a value in having those police officers on site then it was up to the school districts to commit its own funding for the program.

Vice Mayor Martinez commented that he really liked the idea about creating a magnet school program to stimulate law enforcement interest in youth. He asked Chief Conrad if he was aware that the Los Angeles Police Department was in town to recruit for officers. Chief Conrad said he was not aware of those recruitment efforts.

Councilmember Lieberman said he would make every effort to ensure the Police and Fire departments were funded adequately today and in the coming years.

Councilmember Knaack said she enjoyed hearing Chief Conrad talk about preventive programs such as DARE and GREAT. She said these programs were essential in keeping crime rates low. She said police and fire deserve what they were requesting in their needs assessments. She also said she wished the city could fund everything this year rather than over a three to four year period. She said she believes the citizens would approve the proposed increase to the public safety sales tax and she supports it whole-heartedly.

Ms. Schurhammer explained that the proposed four-tenths of one-cent rate adjustment for the public safety sales tax assumed that food was included as a taxable item. Under that assumption, approximately \$22.5 million would be expected in FY 2008 as a result of the four-tenths of one-cent adjustment if the adjustment were in effect on July 1, 2007. Ms. Schurhammer said Council asked last week about the amount of revenue attributable to food sales. The answer is 10%.

Mayor Scruggs said the Council would be choosing scenario one if the proposed sales tax increase were referred to the voters. She asked for clarification about what would

happen if the proposed public safety sales tax increase passed.

Mr. Beasley said the scenario two supplementals were in their Council budget workbooks so they could be discussed now or at another workshop, whichever the Council chooses. He said they should be discussed prior to any action being taken.

Mr. Craig Tindall, City Attorney, recalled the discussion about this issue at last week's budget workshop. Mr. Tindall said the budget office had indicated that scenario one would be used until the election. If the proposed adjustment passed, then budget amendments would be done to facilitate implementation of scenario two. Mayor Scruggs said it seemed that Council was leaning in that direction.

Councilmember Frate stated that citizens watching and listening right now should know that the proposed increase to the public safety sales tax would be wholly dedicated to public safety. He said the Council wanted to make the community safer for everyone.

Mayor Scruggs asked if anyone else was bothered with the prisoner maintenance issue. She said she still believes those additional costs should be covered by the General Fund. Vice Mayor Martinez agreed with Mayor Scruggs. He said the additional public safety sales tax funding that would be generated by the proposed increase could be used for public safety staffing. Mayor Scruggs said it was critical the right decisions are made to ensure this kind of catch up is not needed again to this extent.

Mayor Scruggs asked Ms. Hanna to make sure the notes reflected that Council will resume talks regarding the scenario two supplemental after the tax passes.

Councilmember Clark said Mayor Scruggs had a good point and she also would like to revisit several additional items if the tax passes.

Councilmember Frate asked Chief Conrad about the prisoner maintenance supplemental request. Chief Conrad said it was essentially the cost of doing business and that it was a cost the city had to bear year in and year out and it made sense to cover it with ongoing funds.

Councilmember Clark said she agreed with the Mayor on this issue. She said that detention fees should not be paid out of the public safety sales tax fund for police.

Mayor Scruggs commented this is what I hear everybody's indicated they agreed. The budget that will be passed will be the scenario one budget. There will be a call for an election to look at a proposed increase to the public safety sales tax and that the election will happen in September 2007. Mayor Scruggs said the outstanding issues are the amount of the proposed increase and whether the proposed increase would tax food for home consumption. She asked if decisions on these outstanding issues were needed today.

Mr. Lynch said any feedback about how to proceed would be appreciated today if possible.

Councilmember Frate asked how application of the tax would work related to excluding food. Mr. Lynch said implementation was going to pose a challenge for vendors. He said the city would have to be very clear about its sales tax rates and the modification to be implemented. Mayor Scruggs said it sounds like it would apply to food in general and her adding the term “for food consumption” confused everyone so she would leave it out.

Councilmember Lieberman said he would like to see the sales tax on food eliminated. He said it would make for savings at the cash register.

Councilmember Clark said she had been on the record as sternly and severely opposing a sales tax on food. She said she therefore was in agreement with the proposal to exclude food for the proposed adjustment.

Mayor Scruggs said taxing food was a very sensitive issue with the public. She said the exclusion of food for the proposed adjustment would recognize the public's sentiments about a sales tax on food. She said Council could not exclude food for the existing sales tax because of the predicament it would create for funding existing city services. She said she would like to see the public vote on the proposed adjustment assuming the exclusion of food.

Mayor Scruggs asked if the additional four-tenths of one-cent rate, assuming food was included, would generate \$22.5 million a year. Ms. Schurhammer said she was correct. She added that the exclusion of food would reduce the revenue generated by about \$2.25 million.

Councilmember Clark said she would support the four-tenths of one-cent increase to exclude food.

Vice Mayor Martinez said that he also supports the four-tenths of one-cent increase to exclude food.

Councilmember Knaack said she also supports the proposed adjustment to exclude food. She said the public sales tax increase was greatly needed.

Councilmember Lieberman said he also supports the four-tenths of one-cent increase to exclude food.

Councilmember Goulet said he supports the proposal being discussed. He explained that excluding food was an appropriate step to take and it would have an emotional response from the community.

Mayor Scruggs' comments verbatim.

“So far we have scenario one budget will be passed. September 2007 election will be called. The call will be for a public safety sales tax. Dedicated tax in the amount of four-tenths of one cent additional exempting food, or how would you say it? Food sold in grocery stores? I mean, you're not exempting food in restaurants? So, there is a whole



category for that. Is there any question on what we are talking about with food?" Everyone answered no.

Councilmember Clark commented they might be at a point where they might need verbatim transcripts on workshops and budget workshops. Councilmember Lieberman agreed with Councilmember Clark. Mayor Scruggs asked Ms. Hanna to look into it.

Mayor Scruggs asked if there was any money in the budget for an election. She asked if money had been included for a special election or does Council need to include that in the budget. Ms. Schurhammer said the City Clerk's Office normally carries over unspent budgeted funds for an election in years when there are no elections, as would be the case at the end this fiscal year. She said she had spoken with Ms. Hanna who identified sufficient funds in the current year's budget that would be carried over to next year to cover the cost of the September election. She said the elections budget for the City Clerk's Office would be fixed for FY 2008-09 to accommodate the fall 2008 election. Mayor Scruggs asked about the amount available to carryover. Mr. Schurhammer said the City Clerk's carryover request was \$120,000 plus \$65,000, for a total of \$185,000.

Councilmember Clark asked if that was enough in this year's budget to cover two elections. Ms. Schurhammer stated that this year's base budget would only cover one. She said there had been a supplemental approved in this year's budget to take care of the bond election. It was a one time supplemental. The City Clerk's carryover request was for the money in the office's base budget.

Ms. Hanna said the \$185,000 from the City Clerk's office would be enough to do the official election in the fall. She said it would be enough for all the official publicity materials. She added that the City Clerk's office spends approximately \$120,000 for all cost of elections. Mayor Scruggs asked if the remaining \$65,000 would be enough for all publicity materials for the September election. Mr. Beasley said he was informed that this would be enough to achieve the election in the fall if Council chose to go that route.

Mayor Scruggs asked for this item to be brought back for further discussion. She said she thinks the public notices for the current bond election are everywhere and that the current public outreach campaign must be costing more than \$65,000.

Ms. Schurhammer continued her presentation by stating that the next part addressed the capital improvement plan and the property tax discussion.

Ms. Pam Kavanaugh, Assistant City Manager, said Council had requested additional information about the proposed property tax rate reduction. She said the property tax rate needed to carry out the capital plan could be impacted by construction and land cost increases that were annually updated to reflect current market conditions. She noted that it also could be impacted by the assessed valuation provided by the county assessor's office. . She said staff would provide information addressing several questions that were raised at last Tuesday's meeting as well as other essential

information.

Mr. Lynch said Council requested information on assessed valuation (AV) for other valley cities and the amount of AV growth attributable to appreciation of existing property versus the addition of newly developed property. He said the slide provided a comparative chart for some valley cities relating to total property tax rate and total amount collected (the levy). The chart showed that Phoenix had the highest combined property tax rate of \$1.82 that generates \$265.6 million. He said Scottsdale, Tempe, and Chandler have combined rates less than the \$1.62 proposed in Glendale's FY 2008 budget, yet those cities collect significantly more revenue than Glendale would. This situation illustrates that the rates are not always good examples of the true picture. For example, the City of Scottsdale's total levy is more than two times higher than the amount the City of Glendale collects even though Scottsdale's rate is about \$0.65 cents less than the rate proposed for Glendale.

Mr. Lynch said there are a few reasons for this situation. Assessed valuation in the central and east valley tend to be higher than those in the west valley in part because of the difference in the amount of commercial development present. This is important because it can take a few years for newly developed property to end up on a city's assessed valuation rolls.

Councilmember Clark said the chart seems to indicate that Scottsdale obviously had a great deal more commercial valuation than Glendale. Mr. Lynch said she was correct. He added that there also was additional assessed valuation on the residential side as well.

Councilmember Clark commented that it was startling information.

Councilmember Lieberman said he thought Glendale's assessed valuation was roughly \$1.8 billion. He asked about Glendale's and Scottsdale's assessed valuation. Ms. Schurhammer said Glendale's assessed valuation in the current fiscal year is about \$1.8 billion and will be about \$3.3 billion for next fiscal year. She said Scottsdale's assessed valuation would be about \$12.7 billion for next year.

Mr. Lynch also provided additional information on different alternatives for property tax rate adjustments. He referenced the slide showing different levels of rate decreases and the corresponding amounts that would have to be deferred from the first five years of the CIP to the last five years.

Councilmember Clark said the total CIP amount shown on the chart distributed before the workshop was \$47.4 million. She said she wondered if it would be fair to suggest that with a \$0.35 cent property tax decrease they would wipe out or defer the entire CIP for five years. Ms. Schurhammer said she was correct for the general obligation bond categories other than those projects identified on the chart as a Council goal or intergovernmental agreement/mandate.

Mr. Lynch said the slide showed a \$0.30 cent reduction, which would take the tax rate to

\$1.42, would require approximately \$40 million in reductions to the projects identified in the first five years of the general obligation bond capital improvement plan. A \$0.20 cent reduction would require approximately \$20 million in reductions. He noted that the proposed \$0.10 cent reduction would take the rate to \$1.62 and would require no reductions in projects in the first five years of the capital plan for the general obligation bond categories.

Councilmember Clark said she wanted to make clear that she supports a property tax decrease. She said she believes the city should provide relief to the taxpayers. She said the discussion at last week's meeting was about homeowners experiencing assessed valuation increases of 40% to 60%. She said she had no doubt that some did experience that kind of increase, however, not all were as high. She said there is a senior homeowner property valuation protection option for seniors with low-income levels. She said that some seniors meet those qualifications and saw no rise in their total assessed valuation. She said her own assessed valuation bill stated that in a two year total, her Glendale portion of the total property tax bill went up 21.6% which was not anywhere near 40% to 60%. She said those numbers reflected only Glendale's portion.

Councilmember Clark read from last week's budget workshop minutes regarding Mayor Scruggs comments on the property tax issue as well as Mr. Lynch's report on the significant increases in construction costs. She noted that staff did bring forth requested information on the 5% for inflation, the increased construction cost and in meeting Council's needs in the CIP. She said she believes the \$0.10 cent reduction is realistic based on the new information brought forth.

Mayor Scruggs said she had gone back and listened to the meeting on DVD because there had been some rumors not from Council, but others that when discussing the property tax she was only speaking only for herself. She referred to the October 17, 2006 meeting.

Mayor Scruggs said it seemed that you needed to know what the policy decision was on the rate issue as you went about building the CIP for FY 2007-08. So when I referred to things that were already agreed, I was referring to things that were in prior year's budget. I was not referring to things in the upcoming five years. Also, I said a number of times that the levy amount needed to stay the same. Councilmember Frate said from our last conversation we were all pretty concerned. He was concerned about people on a fixed income and we want tax relief for the homeowners. I want to give relief to the property owners in Glendale because we don't want to take advantage of the taxpayer. Vice Mayor Martinez said he supported reducing the rate.

Ms. Schurhammer clarified that there were no new projects in the first five years of the proposed capital plan.

Mayor Scruggs asked to have information on all those school districts, cities and other taxing authorities that had reduced their rates for FY 2006-07. Ms. Schurhammer said

the information she had was for school districts that had changed their rates from FY 2005-06 to FY 2006-07. She stated staff does not know what those school districts will do for next year until the end of this fiscal year. . She provided the following information about the 10 school districts that had lowered its property tax rate for the current fiscal year:

- the Litchfield School District lowered its overall rate by 7 cents,
- the Pendergast School District lowered its rate by 28 cents;
- the Glendale Union School District lowered its rate by 13 cents;
- the Phoenix Union School District lowered its rate by 6.6 cents;
- the Aqua Fria School District lowered its rate by just over 1 cent;
- the Deer Valley Unified School District lowered its rate 55 cents;
- the Peoria Unified School District lowered its rate by 33 cents;
- the Glendale Elementary School District lowered its rate by just over 11 and one-half cents;
- the Cartwright Elementary School District lowered its rate by \$1.14; and
- the Dysart Unified School District lowered its rate by just over 20 cents.

Ms. Schurhammer listed the nine cities that had lowered its property tax rates between FY 2005-06 and FY 2006-07. She provided the following information:

- Scottsdale lowered its rate just over 7cents,
- Peoria lowered its rate just under 11 cents,
- Goodyear lowered its rate about one-half of one cent,
- Gila Bend lowered its rate about 14 cents,
- Fountain Hills lowered its rate about 5 cents,
- El Mirage lowered its rate about 6 and one-half cents,
- Chandler lowered its rate about 3 cents,
- Wickenburg lowered its rate about 3 cents
- and Buckeye lowered its rate about 21 cents.

She added that Maricopa County lowered its rate by just under \$0.02 cents, and the Education Equalization rate was zeroed out by the state legislature for a period of three to four years. For the other taxing districts in Maricopa County, she provided the following information:

- community college district rate went up just over 3 cents,
- the county flood control district went down by less than one cent,
- the fire district by a fraction of a penny,
- the county library district went down by a fraction of a penny, and
- the county health district went down by a fraction of a penny.

Mayor Scruggs said she thought that information presented at the October 17, 2006, workshop included a statement that the total property tax levy collected had decreased

for only one school district and one city. Ms. Schurhammer said she was correct.

Mayor Scruggs stated that what she meant to say at that October 17 meeting was that she believed they should stay with the same levy and see what the tax rate would be to get them to that levy, and then increase that levy by another five, eight, ten percent. Mayor Scruggs asked what the \$1.62 would get them in relation to the levy the city is collecting in FY 2006-07. Ms. Schurhammer said the total levy the city anticipates collecting this fiscal year is \$23.3 million. She said that at \$1.62 the city would collect about \$28.6 million. That levy would allow the city to absorb the \$49 million in construction cost increases for the first five years of the CIP.

Mayor Scruggs talked about the new court facility that is expected to come on line with new operating costs of close to \$2.4 million a year. She asked staff if it felt comfortable assuring Council that there would be enough new revenue for new things that might come up on a regular basis, including the fixed cost of doing business, in addition to absorbing another \$2.4 million in new operating costs.

Mr. Lynch said they tried to bring together the operating and capital side. He said that as new projects come on line, there will be a cost to operating those projects and the budget has programmed those projects deemed to be a priority as part of the goals and objectives of the Council. He said they do believe they will be able to operate all those projects. He added that they were prepared for economic downturns as well.

Mayor Scruggs stated that Council would have to wait and see if the public safety tax adjustment passes and, if not, they really cannot do anything. She said she had some concerns about the city's capacity to fund all the capital projects scheduled.

Councilmember Clark said she has heard repeatedly that the planned budget including the CIP and O&M can be funded at \$1.62 for the capital side. She said a ten-cent decrease would reduce the rate to \$1.62 and leave the CIP intact. She said Council's other option was to reduce the property tax even further and risk making deferrals in the capital budget.

Councilmember Lieberman said the Council was in a unique place right now in making difficult decisions. He said he does not want to get behind again and have to play catch-up. He said he supports the proposed ten-cent decrease to a \$1.62. He said he does not want any capital projects to be postponed or to disappear.

Councilmember Goulet asked if a capital project were deferred would there be anything that might move it forward if circumstances were to change. Ms. Schurhammer stated that it depended on Council's direction.

Vice Mayor Martinez asked if Phoenix had a reduction in its property tax rate. Ms. Schurhammer said it did not for FY 2006-07 and it is unknown what that city's rate will be for next fiscal year.

Vice Mayor Martinez said these were difficult decisions to make. He said it bothered

him that they were not in balance with other cities. He noted that he likes the ten-cent decrease with no changes to the CIP. However, on the other hand, they could look at reducing it a little more and possibly look at reducing some projects. He added that Council could reduce the rate again during next spring's budget process for FY 2008-09. .

Councilmember Knaack said she was thinking along the same lines as Vice Mayor Martinez. She said it would be prudent to start with a ten-cent decrease and then possibly lowering it again in a future fiscal year, maybe without hurting the CIP. She added that she would not like to see any projects dropped if possible.

Councilmember Frate said he believed staff had brought forth good information and would support the ten-cent decrease. He said he agreed with Vice Mayor Martinez about possible adjusting the rate again in the future.

Councilmember Goulet said he would like to see a greater reduction than ten cents. He said that in reference to the assessed valuation increase discussion; he still believes the hike was high for most people. He stated that projects could be amended or delayed so they could achieve a higher reduction in the total rate. He said that Council could do better than the \$1.62 and still do some of the projects that needed to be done. He said he believes that there will be enough revenue generated in the future. He added that he could support the ten-cent decrease, however believes Council could do better.

Councilmember Clark noted that Vice Mayor Martinez, Councilmember Frate and Councilmember Knaack made excellent points in that this was an issue that can be revisited next year.

Mayor Scruggs said she heard what the majority of the Council supports. She added that she personally believed it was like giving a credit card with no limit and they are only going to continue to spend and get themselves into the problems that they are trying to undo right now.

Mayor Scruggs asked staff to include in the quarterly budget updates a new component. The new component would tell Council if the city is on track to absorb the additional operating costs of the new capital projects expected to come on line in the upcoming fiscal year. Those expenses should also include the compensation of the existing employees, increases in the cost of utilities like electricity and water, the cost of fuel for the city's fleet, as well as capital projects that are coming on line. She said the Council also would be looking at projects that have not been started but have a big price tag.

Councilmember Clark said Council should have an additional meeting to ask follow-up questions on compensation as well questions on regular departmental budgets.

Mayor Scruggs summarized the direction of the City Council. The following is her verbatim statement: "Let me recap here and see if everybody agrees with what I have down. We are going to go forward with budget scenario one, we are going to call for an

election in September of this year and the election will be to ask our citizens if they choose to enact a four-tenths of one cent public safety sales tax adjustment on all items except for food bought in grocery, bought in stores, not in restaurants. If that is successful then we will come back after this successful election and we will talk about an amended budget, we will revisit the recommendations that staff has put forward for supplementals to be approved and we will determine if those are the ones we want to fund or if we want to fund different ones, whatever. One of the things that we are going to revisit is the issue of prisoner maintenance and whether that needs to be in the public safety sales tax fund or whether that is a general fund item in addition to everything else that's already been presented to be funded. We are going to bring forward for a vote a property tax rate of \$1.62 broken into the primary and secondary as staff had suggested. We're going to defer whatever else was on the budget workshop for today until next week and then also next week Council will be able to ask any questions in general about any departmental budget whether they have approved supplementals or not."

#### ADJOURNMENT

The meeting was adjourned at 4:50 p.m.